



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE PETITION OF)
AQUA NEW JERSEY, INC. FOR AUTHORITY)
(1) TO MAKE, EXECUTE AND DELIVER TO)
WACHOVIA BANK, NATIONAL)
ASSOCIATION, AS TRUSTEE, A)
SUPPLEMENTAL INDENTURE TO AN)
ORIGINAL INDENTURE AS OF OCTOBER 1,)
1957, AND (2) TO ISSUE UP TO \$6,500,000)
PRINCIPAL AMOUNT OF FIRST)
MORTGAGE BONDS)

WATER

ORDER OF APPROVAL

DOCKET NO. WF06060465

(SERVICE LIST ATTACHED)

BY THE BOARD:

Aqua New Jersey, Inc. ("Petitioner"), a public utility of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board") on June 16, 2006, pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9 requesting authority to:

1. Make, execute and deliver to Wachovia Bank, National Association, as Trustee¹, Supplemental Indenture P to an original Indenture dated as of October 1, 1957;
2. Issue up to \$6,500,000 principal amount of First Mortgage Bonds Series S by private placement.

Although the Petitioner filed a Petition with the Board requesting authority to issue up to \$6,500,000 aggregate principal amount of First Mortgage Bonds Series S, the Aqua New Jersey, Inc. Board of Directors Resolution has authorized the issuance of the First Mortgage Bonds Series S in the aggregate principal amount not to exceed \$6,000,000 ("Bonds"). Therefore, the authority granted in this Order shall be for the issuance of the Series S Bonds in the aggregate principal amount not to exceed \$6,000,000.

Petitioner states that it proposes to offer the First Mortgage Bonds Series S for sale through private placement due to the relatively small size of the issue, and the fact that Petitioner's

¹ By letter dated September 12, 2006, Aqua notified the Board that the corporate trust business of Wachovia Bank, National Association, had been sold to U.S. Bank, National Association. As a result of this transaction, Aqua has indicated that U.S. Bank, National Association, will serve as the Trustee for the proposed issuance. Consequently, the Board acknowledges that U.S. Bank, National Association, will act as the Trustee for the transaction authorized herein.

securities are privately held and not publicly traded. Petitioner is not required to file reports with the Securities and Exchange Commission and is not followed by security analysts, and therefore, it is not widely known in the securities market. Furthermore, Petitioner states that the costs of a public offering would be substantially higher due primarily to higher underwriting fees, legal fees, and costs associated with such a public offering. Petitioner estimates that the costs of offering the Bonds through private placement will be approximately \$120,000 lower than that of the public offering. The Board in its Orders in Docket Nos. WF04111415, WF02060360 and WF95080369 previously authorized Petitioner to issue similar bonds through private placement.

Petitioner states, in response to a discovery request, that the proceeds of the issuance will be used to retire short-term debt that was used to fund construction and to acquire Berkeley Water Company.

During the review process, the Placement Agent, RBS Greenwich Capital, requested bids from potential investors, typically insurance companies. Three institutions submitted bids of varying durations. Aqua analyzed the bids based on the spread to the relevant treasury instrument to determine how to achieve the lowest interest rate and selected the bid offered by Mutual of Omaha Insurance Company. The pricing structure bid by Mutual of Omaha was a 6.23% coupon rate for 30 years. The effective date of the financing will be the closing.

The Division of Rate Counsel has reviewed this matter and is not opposed to its approval.

The Board, after investigation in this matter, being satisfied with the action sought to be taken by Petitioner, FINDS that the proposed transactions are reasonable and are in accordance with law. The Board HEREBY ORDERS that Petitioner be, and is HEREBY AUTHORIZED to issue and sell up to \$6,000,000 principal amount of First Mortgage Bonds Series S by private placement. The authorized term of the Series S Bonds is 30 years, and the authorized coupon rate is 6.23%.

This Order is issued subject to the following provisions:

- 1 The Board's approval is expressly limited to the transaction described herein and as more fully described in the Petition and supporting documentation.
2. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
3. This Order shall not be construed as a certification that the securities offered for sale will be represented by tangible or intangible assets of commensurate value or investment cost.
4. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of the State of New Jersey, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matters affecting Petitioner.
5. In response to discovery, Petitioner states that a portion of the proceeds of this financing will be used to repay short-term debt that was used as bridge financing on an interim basis to acquire the Berkeley Water Company. Nothing herein shall be construed as making any determination as to the rate making treatment to be afforded the acquisition of Berkeley Water Company.

6. In response to discovery, Petitioner also states that a portion of the proceeds of this financing will be used to finance construction. The Board notes that some of this construction is related to matters currently under investigation in Petitioner's pending rate case at Docket No. WR05121022. Nothing herein shall be construed as making any determination as to the rate making treatment to be afforded this construction.
7. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2006.


DATED: 9/29/06

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

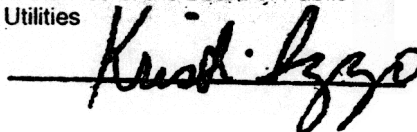

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that this
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

In the Matter of the Petition of Aqua New Jersey, Inc. for Authority (1) to Make, Execute and Deliver to Wachovia Bank, National Association, As Trustee, A Supplemental Indenture to an Original Indenture as of October 1, 1957, and (2) to Issue up to \$6,500,000 Principal Amount of First Mortgage Bonds

WF06060465

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